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INTERNATIONAL ORGANIZATIONS GROUP
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

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INTERNATIONAL ORGANIZATIONS GROUP

WEEKLY SUMMARY NO. 26

For week ending 28 June 1949

The International Week

A crisis has been reached in the negotiations to revise the Intra-European Payments Agreement, with the UK adamantly opposing the ECA proposals. The Palestine Conciliation Commission decided to recess the Lausanne talks. At Lake Success, the Security Council indefinitely postponed action on the twelve long-pending membership applications. In Indonesia, progress continued toward complete evacuation of Dutch troops and restoration of the Republic. In the Kashmir case, the UN Commission is considering arbitration as a means of resolving the Indian-Pakistan dispute. The UN Balkan Commission again condemned Albanian and Bulgarian support of the Greek guerrillas. At the Geneva conference of free trade unions, the groundwork for a democratic labor international is being laid, as the WFTU prepares a militant counterattack.

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Palestine developments. In Palestine, while chances of progress toward local stabilization along the Syrian border and in Jerusalem appeared better, the long term outlook for a peace settlement showed no improvement. The hitherto dismal prospects for concluding a Syrian-Israeli armistice brightened somewhat after both states indicated willingness to accept Mediator Bunche's proposals as a basis for discussion. With the Syrian plebiscite successfully behind him, Zaim may feel sufficiently secure politically to agree to withdraw to the international frontier between Syria and Palestine. The problem of an interim administration of the demilitarized area is, however, complicated by Israeli insistence on the right to exercise civil authority in such zone. This demand contradicts Bunche's basic concept that no armistice terms should prejudice the eventual disposition of the demilitarized area. Inasmuch as the Israelis regard all territory on the Palestine side of the border as theirs, they may cling stubbornly to this point. However, should Bunche succeed in prevailing on Israel to drop this demand, the outlook for concluding an armistice should be reasonably good.

Meanwhile tension has somewhat relaxed in the Jerusalem area. The US proposal to abolish the Special Committee established under the Israel-Jordan armistice and to transfer its functions to the Mixed Armistice Committee (MAC) seems to be acceptable to Amman. The Israelis, however, are willing to refer to the MAC only local questions in which they, particularly, are interested, omitting the

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larger questions of territorial changes in Jerusalem. If all these questions could be referred to the MAC, which unlike the Special Committee is presided over by UN representative General Riley, decisions could be reached in cases of disagreement.

At Lausanne, the Palestine Conciliation Commission, after achieving virtually no progress toward a permanent peace settlement, decided to suspend its labors for the time being. Without the services of Mark Etheridge who recently resigned as US representative, the personnel of the Commission lack the stature required to cope with the difficult task of reconciling the widely divergent Arab and Israeli positions.

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A Militant WFTU revealed in reorganization and new financial policy. The Soviet-restaffed headquarters of the World Federation of Trade Unions, which hopes soon to have increased financial resources at its disposal, is rapidly converting the WFTU into a substantially more aggressive instrument of Soviet policy than was possible before Western labor withdrew. A policy of heavy spending on "international unity" propaganda is to be financed by a doubled membership fee and by a special WFTU "international" fund to which each of its "71 million" workers will be asked to contribute one franc annually. These funds will probably be spent largely in the Far East, in colonial areas and in those Western countries where the WFTU hopes to incorporate leftwing unions into its "trade departments". Their expenditure will be primarily the responsibility of Assistant Secretary General Rostovsky, reportedly a one-time Red Labor International official, now exercising key powers formerly assigned to Secretary General Saillant. I-D-3
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Replacement of the theatrical, nominally Socialist, Saillant with the hard-driving Rostovsky marks the completion of the transformation in the character of the WFTU and will enable the USSR to enlist the full resources of this still widely influential world organization behind Soviet objectives. Rostovsky is now in charge of: (1) relations with the national labor unions; (2) press relations; and (3) the world-wide distributed WFTU Bulletin. Indicative of the tightened control which the USSR apparently intends to exercise over the national labor unions is the creation, under Rostovsky, of five "regional bureaus". Saillant will apparently retain, besides his nominal leadership, responsibility only for "economic and social questions of interest to the WFTU".

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A new Soviet propaganda twist. The USSR has gained support from unexpected quarters in its familiar stratagem of exploiting technical meetings for propaganda purposes. Last year the Soviets rejected an invitation to participate in the Stockholm conference which drafted a new treaty for the protection of civilian persons in time of war and proposed revisions of Red Cross conventions for the care of the wounded and prisoners of war. This year, however, the USSR, which is not a party to any of the conventions, unexpectedly appeared at the Geneva conference, now further examining these proposals. Assuming the mantle of humanitarianism, solicitude for improving the condition of the sick, the wounded and prisoners of war, the USSR has proposed to stigmatize, as criminal, any biological experiments and "all other means of exterminating the civilian population" -- a phrase vague enough to cover any aerial bombardment. The USSR naturally avoided direct reference to atomic weapons and refused to elaborate the cases intended to be covered. The US delegation was confronted with the disagreeable task of opposing the suggestion solely on dry legalistic grounds. To US amazement and indignation, Mexico and Venezuela supported the Soviet proposal. Even more surprisingly, Israel voted consistently with the USSR. Nevertheless, the Soviet amendment was defeated in committee by a 24-11-7 vote and will most likely again be defeated before the plenary session.

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Ecuador seeks SC post. In the usual jockeying for position prior to the opening of the General Assembly in September, Ecuadorian delegates, claiming firm commitments from some thirteen Latin American states, have been talking up Ecuador's candidacy for the SC seat to be vacated by Argentina on 31 December. If these aspirations should be fulfilled, Ecuador would probably name its permanent UN delegate, Dr. Viteri-Lafronte as its SC representative. In view of Viteri-Lafronte's record at the Paris session of the last GA, this might prove a matter of concern to the Western nations. At the Palais Chaillot, Viteri-Lafronte frequently strayed into the Soviet camp. His eccentric voting probably should not be attributed to Quito but to Viteri-Lafronte's ambitious pomposity and desire to attract attention. Feeling that he was regarded as a non-entity by the Western Powers, he apparently went to great lengths to antagonize the US by flirting with the Soviet bloc.

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Propaganda on a platter. The USSR's anti-colonial campaign will be given a boost in the current Trusteeship Council session. The unwilling accomplice in this case is the Union of South Africa, which has, in the latest of a series of insults to TC authority, practically incorporated its South West African mandate in the Union. When this issue is raised in the TC, the USSR can present a sound case charging South Africa with flagrant violations of TC resolutions and of the very spirit of the UN trusteeship system. There are no adequate answers to these charges and the Soviets will have a solid base from which to launch their already familiar attacks on Western "colonialism".

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French leadership in Council of Europe. The French have once again demonstrated their leadership in the European unity movement. In the wake of a favorable report by the Foreign Affairs Committee, the French National Assembly is expected to authorize early ratification of the statute of the Council of Europe. It is most significant that a majority of the Committee favored the prompt inclusion of Western Germany in the Council. This illustrates not only the continuing progressive attitude of the French toward European unification, through which France hopes to increase her stature as the leading Continental power, but also the increasing realism of responsible French thinking on the German problem since the war's end. (Joint product of G/IO and B/WE).

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PLAN REVEALS ERP AT CRITICAL STAGE

As the controversy between the US and UK over revision of the Intra-European Trade Agreement reaches its climax, it brings into the open the underlying issues which must be resolved if a viable European economy is to be restored by 1952. The present controversy arises from strong UK objections to the ECA proposal that US aid be used for multilateralizing trade between the ERP countries in order to restore a competitive trade pattern. ECA proposed making indirect aid drawing rights and their counterpart in conditional dollar aid freely transferable, and beyond this, to make Europe's products competitive with those of the US by allowing some convertibility of drawing rights into dollars if European prices were too high. ECA, with the backing of most continental countries, feels that some such element of competition must be introduced in order to drive European costs down and thus to stimulate their export drive. The UK, however, believes it too early to risk a return to multilateral, competitive trading. Now facing a critical decline in gold and dollar reserves and fearing further losses of precious gold and dollars, the UK feels that it cannot risk any possible loss of ECA dollars. Consequently the UK is compelled to oppose even a French compromise plan designed to minimize the drain on UK resources. Since the Agreement expires on 30 June, some compromise will be patched up, ECA reportedly having already receded from its convertibility demand, but it will be at best only a limited contribution to the basic problems confronting the ERP.

The trade plan controversy is but one aspect of the larger problem of restoring European viability by 1952. As ERP moves into its second year amid signs of a US recession, it is clear that the ERP nations still have a long way to go to meet this objective. With European production substantially recovered, the ERP has become a dollar problem not a recovery problem. While production has already revived to beyond pre-war levels (except in Germany) and there has been marked progress toward internal financial stability, the ERP states have had only limited success in attacking the key problem of reducing their dependence on US aid. Perhaps the greatest single difficulty is that individual countries, instead of seeking fuller integration of the European economy, are tending toward autarky. Rather than rationalize their industries, they seem intent on each building up competing rather than complementary industries, with resultant duplication of facilities and investment in uneconomic fields. Second, the ERP countries have not gone far enough toward reducing their dependence on US aid by greater trading among themselves and with other non-dollar areas. Greater trade competition would tend to reduce costs and stimulate this trade. Third, many ERP countries are apparently failing to take adequate measures to reduce their need for dollar aid by stimulation of dollar exports and reduction of dollar imports. While their prospects for achieving this objective depend

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perhaps as much on US export-import policies as on their own efforts, it is doubtful whether the ERP countries can consolidate the recovery progress already achieved or make significant strides toward long term restoration of Europe's economic position unless they take far more substantial measures on their own toward restoring their trade position and integrating their economies. Failure of the ERP to achieve its objective by 1952 would face the US with the unpleasant alternatives of either continuing a modified Marshall Plan for a further period or seeing Europe forced to reduce its standard of living with the consequent effect on stability and development of a strong anti-Communist European bloc.

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